

Loan Insurance Agreement

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This Agreement made the 24 day of June, 1986

Between

Canada Mortgage and Housing Corporation
(hereinafter called "CMHC")

- and -

Newfoundland and Labrador Housing Corporation
(hereinafter called "NLHC")

Whereas the Government of Canada (Canada) and the Government of Newfoundland (The Province) have entered into a Global Agreement on social housing (The Global Agreement) dated the 28th day of February, 1986 enabling the Parties thereto to share the cost of any social housing programs or initiatives which they wish to foster jointly;

And whereas CMHC and NLHC have entered into an Operating Agreement for the purpose of carrying into effect the principles of the Global Agreement;

And whereas CMHC and NLHC have agreed in paragraph 13 of the Operating Agreement to cause this loan insurance agreement to be entered into for the purpose of carrying into effect the principles of subparagraph 13 (H) of the Operating Agreement;

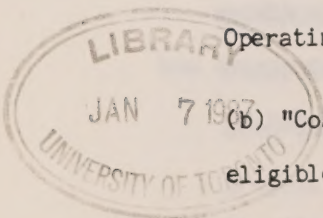
And whereas CMHC and NLHC are housing agencies of Canada and The Province respectively.

Now therefore this Agreement witnesseth that the Parties hereto, in consideration of the mutual covenants hereinafter contained, agree each with the other as follows:

1. Definitions

(a) The definitions contained in the Global Agreement and the Operating Agreement shall apply to this Agreement.

(b) "Cost sharing ratio for each project" shall be the eligible cost sharing ratio established for the program in the Operating Agreement modified to reflect the proportion of the insured loan that is ineligible to be cost shared under



the Agreement. The adjustment to the cost sharing ratio shall be based on the relative loan values of the eligible and ineligible portions of the project as accepted by CMHC.

(c) "Eligible project costs" are the capital costs of the subsidy units/beds committed under the non-profit and urban native non-profit housing programs within the lesser of the actual cost, or the Maximum Unit Price applicable to the property at the time of commitment.

(d) "Ineligible project costs" are any capital costs which are in excess of eligible costs as outlined in the Agreement. These include, but are not limited to, additional residential dwelling units, additional non-residential space, commercial space, or any capital costs above the Maximum Unit Price applicable to the property at the time of commitment.

2. Scope of the Loan Insurance Agreement

(a) The recitals herein shall form an integral part of this Agreement.

(b) This Agreement applies to the administration of loans in default, the processing of claims submitted by NHA Approved Lenders on the mortgage insurance fund, the payment of claims to NHA Approved Lenders, the sharing of the costs of the claims, the administration of the acquired properties, the disposal of the acquired properties, and the sharing of all costs and recoveries from the time of acquisition to the time of disposal of the acquired properties.

(c) This Agreement applies to all new commitments which are insured by the mortgage insurance fund made in accordance with the Operating Agreement under the following programs and any future programs of CMHC and NLHC which are agreed to between the two Parties:

- Non-profit Housing Program
- Urban Native Non-profit Housing Program.

3. Administration of loans in default

(a) Upon notification by the NHA Approved Lender to CMHC of a loan account being in arrears for a period of three months or less, CMHC shall so advise NLHC and both Parties shall work together to take appropriate action to avoid a claim.

(b) The active party under the Operating Agreement shall inform the other party of the cause of the property's arrears or potential arrears problem.

(c) CMHC and NLHC shall make best efforts to avoid a claim by the provision of additional funds to rectify default, or in instances where it is felt prudent, to have another public or private non-profit group acquire title to the property and assume the existing loan obligation to rectify the default.

(d) CMHC, after consultation with the NLHC, shall establish no later than 6 months from the date of default appropriate actions to be taken to satisfy the arrears problem.

(e) All instructions pertaining to administration of loans on projects in default shall be communicated directly to the NHA Approved Lender by CMHC. CMHC will keep NLHC informed of all such instructions.

(f) In the event that it is agreed by CMHC and NLHC that a claim on the mortgage insurance fund cannot be avoided, or if the period in paragraph (d) above expires, CMHC shall direct the NHA Approved Lender, upon notice to NLHC, to submit a claim on the mortgage insurance fund.

(g) No costs incurred in rectifying a default in an attempt to avert a claim shall be borne by the mortgage insurance fund. All costs shall be shared by CMHC and NLHC in accordance with the relevant cost-sharing ratio for each project as agreed upon by the two Parties in the Operating Agreement.

4. Processing and payment of claims

(a) Claims by NHA Approved Lenders on the mortgage insurance fund will be processed and paid by CMHC through the mortgage insurance fund pursuant to the Act, the National Housing Loan Regulations and applicable guidelines in effect from time to time.

(b) In instances where the claims settlement process includes acquisition of the property, CMHC shall administer the acquired property unless approved otherwise by CMHC.

5. Reimbursement to CMHC on payment of the loan insurance claim

(a) On the date of the payment of the claim to the NHA Approved Lender, NLHC shall pay to CMHC its share of the total claim costs as outlined in subparagraphs (b) and (c) below. CMHC shall give NLHC at least one week's written notice of the anticipated date for payment of the claim.

(b) All costs associated with the processing and payment of the claim shall be shared by CMHC and NLHC in accordance with the relevant cost-sharing ratio for each property as set out in the Operating Agreement.

(c) All costs associated with the processing and payment of the claim on the portion of the insured loan related to ineligible project costs shall be the sole responsibility of NLHC in terms of payment to CMHC in accordance with subparagraph (a).

(d) All supplementary claims made by an NHA Approved Lender shall be shared as outlined in subparagraphs (b) and (c) above. All additional costs incurred in administering or managing a property between the date of payment of the claim to the date of disposal shall be shared by the Parties hereto in accordance with this paragraph 5 and subparagraph 6(a).

(e) Title to properties acquired as a result of payment of a claim shall be held by CMHC on behalf of the Parties hereto until disposal in accordance with this Agreement. However, if specifically requested in writing by NLHC, CMHC will consent to the transfer of title to NLHC and CMHC as tenants in common in accordance with the cost-sharing arrangements established for such project in the Operating Agreement.

6. Administration of acquired properties

(a) The profits or losses incurred in the administration of the acquired property between the date of acquisition and the date of disposal, including, but not limited to, eligible financing costs, administrative costs, operating and maintenance costs, including capital expenditures, less any revenues, shall be shared in accordance with the relevant cost-sharing ratio for that property as set out in the Operating Agreement.

(b) Profits or losses incurred in the administration of the portion of the insured loan related to ineligible costs shall be the sole responsibility of NLHC.

(c) All billing and payment of bills associated with the costs outlined in paragraphs (a) and (b) will be made in accordance with the billing and payment procedures outlined in the Operating Agreement.

(d) Best efforts shall be made to dispose of the property in a timely and cost-effective manner in accordance with paragraph 7 hereof.

(e) Between the time of acquisition and the time of disposal, rents and rental increases shall be established by the Parties hereto.

7. Disposal of acquired properties

(a) CMHC shall establish, after consultation with NLHC, the terms and conditions of disposal of an acquired property, including but not limited to, the purchaser, the sales price and the treatment of in situ tenants after sale. The Parties agree to take reasonable efforts, where feasible and prior to sale in the open market, to dispose of a property to a purchaser who will acquire, own and operate the property under one of the programs referred to in subparagraph 2(c) of this Agreement or another program which CMHC and NLHC have agreed to cost-share in the Operating Agreement.

Notwithstanding the aforementioned, if NLHC notifies CMHC in writing of its desire to acquire title to a property in its (NLHC's) own name absolutely, CMHC will agree to such transfer on payment to it of CMHC's proportionate share of all costs incurred in the acquisition and administration of such property in accordance with this Agreement.

(b) Disposal includes, but is not limited to, the sale of the acquired property, or the demolition of the structure and sale of the land component of the acquired property.

(c) Proceeds on disposal include, but are not limited to, sales proceeds or proceeds resulting from any fire and extended peril insurance settlement.

(d) The proceeds on disposal and the costs of disposal, including but not limited to marketing costs and commissions and costs of sales incentives arising from the sale agreement, and demolition costs, shall be shared by CMHC and NLHC in accordance with the relevant cost-sharing ratio for each property as set out in the Operating Agreement. All proceeds on disposal and costs related to disposal on the portion of the insured loan related to ineligible costs shall accrue solely to NLHC.

(e) The Party to whom the proceeds of disposal are paid shall remit to the Other Party its share of the net proceeds within 10 days of the closing of the sale, or within 10 days of receipt of funds from a disposal that is other than a sale.

8. Other provisions

(a) Conflict: In the event of conflict between any provision of this Agreement and any provision of the Operating Agreement, the latter shall govern.

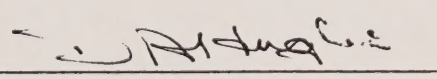
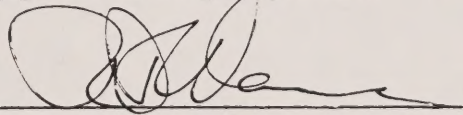
(b) Assignment: This Agreement shall not be assigned or otherwise transferred by either Party hereto.

(c) Termination: This Agreement shall automatically terminate for any properties that are committed outside of the terms outlined in sub-paragraph 2(c) above.

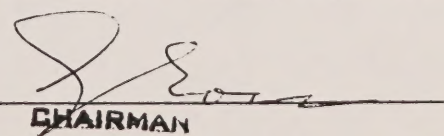
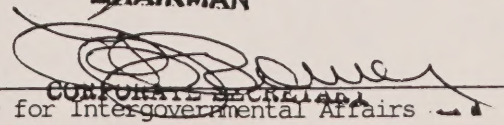
(d) Books and records: The party administering a property shall keep complete, accurate records, accounts and other documents pertaining to the administration and sale of acquired properties, in accordance with the Operating Agreement for financial auditing purposes.

In witness whereof, the Parties hereto have executed these presents on the date first above written.

Canada Mortgage and Housing Corporation



Newfoundland and Labrador Housing Corporation


CHAIRMAN
CORPORATE SECRETARY

Minister for Intergovernmental Affairs

